Kilpatrick (MI)
Kind
Kucinich
Langevin
Larsen (WA)
Lee
Lewis (GA)
Lipinski
Lofgren, Zoe
Markey
McCollum (MN)
McDermott
McKinney
Meehan
Meek (FL)
Meeks (NY)
Melancon
Michaud
Miller (NC)
Miller, George
Moore (WI)
Moran (VA)
Nadler
Oberstar
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Price (NC)
Rahall
Rangel
Reyes
Rothman
Rush
Ryan (OH)
Sabo
Sanders
Schakowsky
Scott (GA)
Scott (VA)
Serrano
Shadegg
Solis
Stark
Stearns
Strickland
Stupak
Taylor (MS)
Thompson (CA)
Thompson (MS)
Towns
Udall (CO)
Velázquez
Visclosky
Waters
Watt
Waxman
Weiner
Woolsey
Wu

NOT VOTING—11

Davis, Jo Ann
Evans
King (IA)
McNulty
Northup
Payne
Ros-Lehtinen
Sessions
Slaughter
Tiahrt
Watson

□ 1312

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

APPOINTMENT OF CONFEREES ON S. 250, VOCATIONAL AND TECHNICAL EDUCATION FOR THE FUTURE ACT

MOTION TO INSTRUCT OFFERED BY MR. GEORGE MILLER OF CALIFORNIA

THE SPEAKER pro tempore. The pending business is the vote on the motion to instruct on S. 250 offered by the gentleman from California (Mr. GEORGE MILLER) on which the yeas and nays are ordered.

The Clerk will redesignate the motion.

The Clerk redesignated the motion.

The SPEAKER pro tempore. The question is on the motion to instruct.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 260, nays 159, not voting 13, as follows:

[Roll No. 366]

YEAS—260

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Barrow
Bean
Becerra
Berkley
Berman
Berry
Bilirakis
Bishop (GA)
Bishop (NY)
Blumenauer
Boehlert
Boozman
Boren
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Brown-Waite, Ginny
Butterfield
Capito
Capps
Capuano
Cardin
Cardoza
Carnahan
Carson
Case
Castle
Chandler
Clay
Cleaver
Clyburn
Conyers
Cooper
Costa
Costello
Cramer
Crowley
Cuellar
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (KY)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Dent
Dicks
Dingell
Doggett
Doyle
Edwards
Emanuel
Emerson
Engel
English (PA)
Eshoo
Etheridge
Farr
Fattah
Ferguson
Filner
Fitzpatrick (PA)
Foley
Forbes
Ford
Frank (MA)
Gerlach
Gibbons
Gilchrest
Gonzalez
Gordon
Green, Al
Green, Gene
Grijalva
Gutierrez
Gutknecht
Harman
Hastings (FL)
Herseth
Higgins
Hinchey
Hinojosa
Holden
Holt
Honda
Hooley
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kelly
Kennedy (RI)
Kildee
Kilpatrick (MI)
Kind
King (NY)
Kirk
Kucinich
Kuhl (NY)
LaHood
Langevin
Lantos
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (GA)
Lewis (KY)
Lipinski
LoBiondo
Lofgren, Zoe
Lowey
Lungren, Daniel E.
Lynch
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy
McCollum (MN)
McCotter
McDermott
McGovern
McHugh
McIntyre
McKinney
Meehan
Meek (FL)
Meeks (NY)
Melancon
Michaud
Millender-McDonald
Miller (MI)
Miller (NC)
Miller, George
Mollohan
Moore (KS)
Moore (WI)
Moran (VA)
Murphy
Murtha
Nadler
Napolitano
Neal (MA)
Ney
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Pelosi
Peterson (MN)
Platts
Poe
Pomeroy
Price (NC)
Pryce (OH)
Rahall
Ramstad
Rangel
Regula
Reyes
Rogers (KY)
Ross
Rothman
Roybal-Allard
Ruppersberger
Ryan (OH)
Sabo
Salazar
Sánchez, Linda T.
Sanchez, Loretta
Sanders
Saxton
Schakowsky
Schiff
Schwartz (PA)
Schwarz (MI)
Scott (GA)
Scott (VA)
Serrano
Shaw
Shays
Sherman
Sherwood
Simmons
Skelton
Smith (NJ)
Smith (WA)
Snyder
Solis
Spratt
Stark
Stearns
Strickland
Stupak
Sullivan
Sweeney
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velázquez
Visclosky
Walden (OR)
Walsh
Wasserman Schultz
Waters
Watt
Waxman
Weiner
Weldon (PA)
Weller
Wexler
Wilson (NM)
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—159

Aderholt
Akin
Bachus
Baker
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Biggert
Bilbray
Bishop (UT)
Blackburn
Blunt
Boehner
Bonilla
Bonner
Bono
Boustany
Bradley (NH)
Brady (TX)
Brown (SC)
Burgess
Burton (IN)
Buyer
Calvert
Camp (MI)
Campbell (CA)
Cannon
Cantor
Chabot
Chocola
Coble
Cole (OK)
Conaway
Crenshaw
Cubin
Culberson
Davis, Tom
Deal (GA)
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Drake
Dreier
Duncan
Ehlers
Everett
Feeney
Flake
Fortenberry
Fossella
Foxx
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gillmor
Gingrey
Gohmert
Goode
Goodlatte
Granger
Graves
Green (WI)
Hall
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hyde
Inglis (SC)
Issa
Istook
Jenkins
Jindal
Johnson, Sam
Keller
Kennedy (MN)
King (IA)
Kingston
Kline
Knollenberg
Kolbe
Lewis (CA)
Linder
Lucas
Mack
Manzullo
Marchant
McCaul (TX)
McCrery
McHenry
McKeon
McMorris
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Musgrave
Myrick
Neugebauer
Norwood
Nunes
Osborne
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Price (GA)
Putnam
Radanovich
Rehberg
Reichert
Renzi
Reynolds
Rogers (AL)
Rogers (MI)
Rohrabacher
Royce
Ryan (WI)
Ryun (KS)
Schmidt
Sensenbrenner
Shadegg
Shimkus
Shuster
Simpson
Smith (TX)
Sodrel
Souder
Tancredo
Taylor (NC)
Terry
Thomas
Thornberry
Tiberi
Turner
Wamp
Weldon (FL)
Westmoreland
Whitfield
Wicker
Wilson (SC)

NOT VOTING—13

Carter
Davis, Jo Ann
Evans
Harris
McNulty
Northup
Payne
Ros-Lehtinen
Rush
Sessions
Slaughter
Tiahrt
Watson

□ 1321

Mr. GINGREY and Mr. WHITFIELD changed their vote from ''yea'' to ''nay.''

So the motion to instruct was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER pro tempore (Mr. SIMPSON). Without objection, the Chair appoints the following conferees: Messrs. MCKEON, CASTLE, SOUDER, OSBORNE, Mrs. MUSGRAVE, Mr. GEORGE MILLER of California, Ms. WOOLSEY, and Mr. KIND.

There was no objection.

GENERAL LEAVE

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks and include extraneous matter on H.R. 2990, the Credit Rating Agency Duopoly Relief Act of 2006.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

CREDIT RATING AGENCY DUOPOLY RELIEF ACT OF 2006

The SPEAKER pro tempore. Pursuant to House Resolution 906 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 2990.

□ 1323

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2990) to improve ratings quality by fostering competition, transparency, and accountability in the credit rating agency industry, with Mr. BOOZMAN in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered read the first time.

The gentleman from Ohio (Mr. OXLEY) and the gentleman from Pennsylvania (Mr. KANJORSKI) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio.

Mr. OXLEY. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, in response to the largest corporate scandals in U.S. history, Congress passed the Sarbanes-Oxley Act strengthening the role of gatekeepers such as auditors, boards of directors, audit committees, and equity analysts. We now turn our attention to another gatekeeper, the credit rating agency, and Congressman FITZPATRICK's H.R. 2990, the Credit Rating Agency Duopoly Relief Act.

Credit ratings serve a vital function in our capital market system, providing investors with an understanding of the creditworthiness of corporations and municipalities with respect to debt and other securities. As evidenced by the failures in the rating of Enron and WorldCom, who were given investment grade ratings by Moody's and Standard & Poor's just days before declaring bankruptcy, the credit rating industry is in drastic need of increased competition and improved transparency.

Currently, the SEC designates ratings agencies as nationally recognized statistical ratings organizations, or NRSROs, through an opaque process that provides applicants little guidance on the substance and procedure by which they will be evaluated. Currently, only five rating agencies are designated as NRSROs by the SEC. Understandably, many more aspire to attain that designation, as NRSRO status confers a significant competitive advantage. However, new applications often languish for years without an up or down vote on admission into this elite club. In fact, the Department of Justice commented upon the SEC designation process in 1998, calling it a ''nearly insurmountable barrier to entry.''

The SEC's opaque designation process has created an artificial government-sponsored barrier to entry that has stifled competition and helped the two top rating agencies, Moody's and Standard & Poor's, garner some 80 percent of the market share. Without true competition of this industry, fees have skyrocketed and ratings quality has deteriorated. To put it mildly, this is not a transparent and efficient mark with robust competition.

Wanting to understand an industry with such a significant impact on the markets, Congress directed the SEC to examine credit rating agencies as part of the Sarbanes-Oxley Act. Since the release of the SEC's report on rating agencies in January 2003, the Committee on Financial Services and its Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises through its chairman, RICHARD BAKER, have held five hearings on this subject, two of those hearings focused on H.R. 2990. Witnesses from the SEC, industry, academia, think tanks, and the rating agencies themselves echoed the problem areas highlighted by the SEC; namely, barriers to entry leading to a lack of competition, conflicts of interest, poor transparency of agencies' rating methodologies, and a lack of accountability. Mr. FITZPATRICK's bill is the product of this comprehensive examination.

In his testimony of this past May before the Committee on Financial Services, our former colleague, SEC Chairman Cox, expressed support for the goals of H.R. 2990, and requested enhanced authority in this area. In a June 2006 letter to Ranking Member KANJORSKI, Mr. Cox stated, ''You also asked whether the quality of credit ratings concerns me. My answer is most assuredly yes. In fact, transparency, competition, and greater oversight, the principles I mentioned during my testimony before the House Financial Services Committee on May 3, 2006, are, in my view, important means to achieve the end of ensuring the high quality of credit ratings.'' The principles cited by Mr. Cox are the very principles of Mr. FITZPATRICK's legislation before us.

In addition, SEC Commissioners Paul Atkins and Cynthia Glassman have expressed their disapproval with the current designation system, and Mr. Atkins has expressed support for a registration approach like the one embodied in this bill. SEC Commissioner Roel Campos has also expressed a need for legislation that deals with conflicts, increased transparency, and provides for SEC examination.

Mr. FITZPATRICK's bill follows the regulatory regimes applied to broker-dealers and investment advisors. In doing so, it rejects regulation controlled by the SEC in favor of the market-based approach that has driven our securities laws since the 1930s.

H.R. 2990 removes the SEC's designation process, and in its place gives rating agencies who have issued ratings for 3 years the option of registering as NRSROs. A voluntary registration system will level the playing field for all rating agencies and inject much needed competition into this industry. As we have seen time and time again in other markets, true competition begets lower prices and better performance. When dealing with investor protection, it is all the more critical to ensure that healthy competition exists, yielding more accurate and reliable ratings.

In addition, H.R. 2990 promotes transparency and empowers investors by requiring registrants to disclose the methodologies by which they generate ratings. It requires rating agencies to provide short, medium, and long-term performance statistics, and to make all information and documents submitted to the SEC publicly available. This will give the market a clearer understanding of the agencies that are rating debt. The bill also requires that rating agencies maintain a chief compliance officer to oversee compliance with the securities laws and protects market stability, providing that the voluntary regime will not go into effect until January 2008.

To insulate the rating agencies from overreaching legislation, H.R. 2990 affirms that the Federal Government may not intrude into rating agencies' methodologies or the ratings process.

Finally, I have concerns about the conflicts of interest which plague this industry. Ratings firms have expanded into new areas which, many commentators have suggested, further compromise their objectivity.

□ 1330

In addition, it has been alleged that leading rating agencies engage in certain abusive practices to the detriment of smaller market players. H.R. 2990 requires disclosure of conflicts of interest and prohibits such anti-competitive practices.

The many hours that the Committee on Financial Services and Mr. FITZPATRICK have spent on this issue have shown the problems cited by the SEC report are best rectified through a system of voluntary registration open to all eligible rating agencies. This will eliminate barriers to entry, promote competition, and do so using the least restrictive means of regulation.

I urge all Members to support this important bill.

Mr. Chairman, I reserve the balance of my time.

Mr. KANJORSKI. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, our capital markets rely on the independent assessment of financial strength provided by credit raters. The bill before us, however, would decrease the quality of credit ratings because it would dramatically alter the way in which government identifies entities to issue the credit ratings used for essential regulatory purposes. I therefore oppose H.R. 2990.

In the 1970s, the Securities and Exchange Commission created nationally recognized statistical rating organizations. It is not a very sexy term and not well understood, but those are the little fellows that are called in to evaluate bonds and all types of instruments of debt and other materials that are sold throughout our financial system to pension funds and all others. They created these organizations in a rulemaking on the capital levels that brokers and dealers must hold. Since then, the term, with its inference to quality, credible, and reliable ratings has become embedded in numerous Federal, State, and local statutes, rules, and regulations.

Many private parties have also included references to ''nationally recognized'' agencies in the terms of their contracts, corporate bylaws, and pension trust agreements. Foreign governments and international bodies have used the concept in their accords and codes, too. In considering any bill to modify the process for identifying ''nationally recognized'' agencies, we must, therefore, keep in mind the need to maintain high quality ratings. It is this credible and reliable standard on

which investors rely. We should not lightly abandon this standard.

Critics of the present designation system have raised legitimate concerns about competition. I agree with the supporters of H.R. 2990 that increasing competition in the credit ratings used for regulatory purposes is a desirable goal. I further agree that the current designation process should be improved.

To achieve its objectives of greater competition, however, H.R. 2990 seeks to make statutory changes that will come at a dangerous cost. The bill, through its voluntary registration regime, will increase the number of ''nationally recognized'' agencies without providing sufficient authority to assure the issue ratings are credible and reliable. We must achieve equilibrium in these matters by balancing the desire to increase the quantity of approved credit raters with the need to ensure that their ratings are of a consistently high quality.

The minimum standard set forth in H.R. 2990 that allows any credit rater to obtain the ''nationally recognized'' designation after 3 years of experience are akin to granting a driver's license to anyone who meets a 3-year residency requirement. We know, however, to keep our roads safe, every potential driver must pass one or more quality assurance tests administered by a third party before getting a license. Why should we hold those rating agencies that serve as gatekeepers to our capital markets to a lower oversight standard?

Investor advocates have also concluded that quality should be an important factor in identifying ''nationally recognized'' agencies. The AFL–CIO, for example, has noted that replacing the concept of approved raters, ''with a mere registration process without substantive oversight will be harmful to investors,'' and ''ultimately to the functioning of our credit markets.''

In a recent letter, the Consumer Federation of America has additionally observed that the central provision of H.R. 2990 is ''fatally flawed.'' In competitive markets, ''some credit rating agencies will invariably compete based on the leniency of their ratings methodology. That is not good for investors or for the integrity and efficiency of the markets.''

Moreover, H.R. 2990 could allow history to repeat itself. In the wake of the savings and loan crisis, we required that the debt securities held in portfolios by financial institutions must be of investment grade as determined by a ''nationally recognized'' agency.

I may point out, in response to my colleague, the chairman of my subcommittee, Mr. BAKER, he seemed to indicate that the cause of the S&L disaster was that the rating agencies made mistakes. Quite to the contrary. The disaster was that the rating agencies were not used to determine investment grade instruments held in their portfolios, and that only occurred after the S&L disaster.

This bill's failure to ensure that such ratings continue to be credible and reliable could one day create another regrettable situation whereby the taxpayers need to finance a bailout of the deposit insurance funds. Moreover, this legislation threatens the strength of the Securities Investors Protection Corporation, which protects investors against fraud.

Less than 4 years ago, Congress wisely adopted the standards in the Sarbanes-Oxley Act to strengthen financial reporting, restore investor confidence, and assure the integrity of our capital markets. In an effort to promote competition, however, H.R. 2990 would weaken the quality of our ratings, thereby damaging investor confidence and the integrity of our markets going forward. It is, in other words, a step backwards.

In sum, Mr. Chairman, I find such developments are highly regrettable today and I urge my colleagues to reject H.R. 2990.

In response to the chairman of our committee's quoting from a letter addressed to me by Chairman Cox, our former colleague, he failed to read the second paragraph of Mr. Cox's letter, under part B. He properly read the first phase, and I won't repeat that, but Mr. Cox said, ''In the weeks and months ahead, the commission,'' speaking of the Securities and Exchange Commission, ''and its staff will continue to consider potential ways by which we can help facilitate the issuance of high quality ratings using our existing regulatory authority, including the adoption of an existing rulemaking proposal in some form or other approaches,'' thus indicating that the SEC has not had the opportunity to fully address this problem.

The SEC has not been called to testify before the committee on the consideration of this bill, and the fact is that of the five hearings held by this committee, at least four of the five occurred without the concept of the piece of legislation we are considering today.

I sympathize with the makers of this. I know they want to do the right thing. But speed to get a bill passed, to create an on-demand registration of a new entity that is so critical to trillions of dollars of instruments of debt should not pass this House without realizing the potential consequences, and they are great.

I concede rating agencies that exist today have made mistakes in Enron and WorldCom, but I recall, and I guess I have served on the committee a little longer than most, but Mr. OXLEY was certainly in the Congress, not on the committee at the time, but during the S&L disaster, I recall a very famous American, who is an economist and served in very high appointive office in the Federal Reserve, testifying before our committee that he had evaluated, for a professional fee, 20 entities, S&Ls, and had found them to be sound. Many of them failed within 4 months of his evaluation. Actually, 19 of the 20 he evaluated failed.

This is not kid's play. This is not a bean bag. This is very serious rating information that investors across the country, indeed across the world rely upon. Quality is clearly as important as quantity. We can have both. Just taking a greater consideration and using the expertise and availability of the Securities and Exchange Commission may do us well.

Mr. Chairman, I reserve the balance of my time.

Mr. OXLEY. Mr. Chairman, I am now pleased to yield 2 minutes to the gentleman from Georgia (Mr. PRICE), a valuable member of the committee.

(Mr. PRICE of Georgia asked and was given permission to revise and extend his remarks.)

Mr. PRICE of Georgia. Mr. Chairman, I want to thank the chairman and the subcommittee chairman for their leadership on this issue, and I want to thank Mr. FITZPATRICK, the gentleman from Pennsylvania. I appreciate his leadership on this and on so many other issues. The citizens of Pennsylvania are truly fortunate to have you fighting for them, and I am honored to call you a colleague and a friend.

Mr. Chairman, this bill, H.R. 2990, addresses credit ratings, or judging the financial worthiness of companies. Credit ratings play a real and significant role in our economy. Investors rely on these ratings to determine risks of default of companies, both large and small, as well as governmental entities. Currently, these ratings are often the determining factor as to whether companies and, hence jobs, will expand, or whether local governments are able to finance major municipal improvement projects.

Presently, competition is severely lacking among credit rating agencies, as there are only five companies designated by the SEC. The current process fails to provide a reasonably clear path for potential new rating agencies. H.R. 2990 solves this problem by establishing an unambiguous registration process with appropriate oversight to ensure integrity and reliability in the rating process.

In addition to facilitating competition, the legislation would provide critically important information currently not available to investors. The bill would require disclosure of ratings processes so investors can better evaluate the quality of the ratings themselves. Further, rating organizations would be required to publicly disclose their policies relating to conflicts of interest and their organizational structure. Finally, they would be held accountable for ratings they issue if they don't follow their disclosed policies.

Mr. Chairman, these are all extremely important advances and improvements for our entire economy, and I urge adoption of H.R. 2990.

Mr. KANJORSKI. Mr. Chairman, I yield 4 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY. Mr. Chairman, I thank the gentleman for yielding and

for his leadership, and I rise in opposition of the underlying bill, H.R. 2990, and in support of the Kanjorski substitute.

I believe that all of us in this body support the promotion of healthy competition and improved transparency and accountability and independence in the rating agency industry. I certainly am concerned about the transparency and accountability of the industry. However, I believe that this particular bill will do more harm than good.

While the bill has been somewhat improved through various manager's amendments, I still have serious concerns regarding the bill that is before us. The bill contains a free-for-all in the ratings market without the usual market protections against abuse. For example, the bill allows almost anyone to register as a rating agency and issue ratings, but insulates rating agencies from lawsuits.

The fact that the bill does not provide adequate rating quality assurance is of grave concern to me for safety and soundness. Taking away the SEC's seal of approval for rating agencies will cause investors to possibly lose confidence in the markets because they are rightly concerned about ratings shopping or simply inaccurate ratings. We spent the last several years working to overcome the crisis in investor confidence caused by corporate governance scandals, and this is absolutely not the time for taking risks in this area.

□ 1345

Mr. Chairman, I also have procedural concerns regarding how this bill was advanced through the committee on which I serve. As you know, the SEC was not asked to participate in either of the two hearings that this committee held on this legislation. And given the role that the SEC plays now in effectively overseeing rating agencies and the role it will play in administering this legislation, I think we should receive testimony from them before taking legislative action.

This is a very complicated issue that could have a tremendous effect on the capital markets both here and abroad. I note that other international regulators have recently taken a very different approach than the one advocated by this bill.

While I am not prepared today to say which approach is better, I think it would be prudent for us to learn more from the SEC and other international regulators on credit rating agencies, and to determine whether we want to move towards greater international harmonization of standards, as opposed to going forward with this new change.

Simply put, before rushing to judgment, we need to better understand all of the impacts that could result from our actions here today. Rushing this bill to the floor is not the way to reach sound public policy. We need to understand all of the consequences of this change and the effect it will have on the quality of our rating agencies.

So I urge my colleagues to oppose H.R. 2990 and to support the Kanjorski amendment.

Mr. OXLEY. Mr. Chairman, I yield 2 minutes to the gentlewoman from Pennsylvania (Ms. HART).

Ms. HART. Mr. Chairman, I thank the gentleman for yielding me this time.

I had been a member of the Financial Services Committee, the gentleman's committee, and have worked on a number of different issues with him. I respect the work he has done on this issue, and also the sponsor, Mr. FITZPATRICK's work, and I rise in support of the bill.

The Credit Rating Agency Duopoly Relief Act will provide more transparency. For far too long only two rating agencies have had 80 percent of the market share. That is because they have an advantage under the current system. This bill will bring more competition and innovation into the credit rating agencies. This is extremely important. In the markets of today where we have had questions about the veracity of reported information, we need more competition among agencies and more transparency.

While there are 130 credit rating agencies in the financial markets, only five are designated as nationally recognized statistical rating organizations. Blocking competition in the marketplace and stifling innovation is never a good thing. Our laws should encourage open competition and a fair marketplace.

The basic principles of competition and fairness make our marketplace dynamic, and credit rating agencies should not be immune to these principles. By blocking entry to the market, mistakes have been made. The current certified agencies listed Enron as a safe investment and WorldCom as investment grade quality right before they filed for bankruptcy.

As a former member of the Financial Services Committee, I have worked closely on these issues surrounding both Enron and WorldCom after the collapse, and I am pleased we are taking this commonsense approach to strengthen our markets and provide consumers with more choice, more transparency and more responsible information.

Specifically, this bill will open the credit rating agency market by ensuring that more agencies will be able to get this national rating, ending the current requirement to specific business models. Encouraging competition and transparency in this industry will improve quality, and that is always better for the market.

Mr. KANJORSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Massachusetts (Mr. FRANK), the ranking member of the Committee on Financial Services.

Mr. FRANK of Massachusetts. Mr. Chairman, I thank the ranking member of the subcommittee for his leadership on this. The goals here do not divide us; the methods do. Maybe it is a little bit of a role reversal, but I think, as the gentleman from Pennsylvania has made clear, we believe that the SEC ought to be relied on more fully here.

I understand the SEC supports the goals of this. We support the goals of this. The critical question is the implementation. We think this prematurely takes some decision-making that we ought to await for SEC input. We are talking about a very tough decision to make here. It is a lot of power to give an entity to be a rating agency.

People have alluded to the great power the two existing ones have. It is important that we have complete assurance for ourselves that the process we put in place for new rating agencies be very thoroughly checked out and very much prevented against abuse. Competition is a good thing, but not competition that could be a race to the bottom; and we regard SEC as an important part of this.

That is why the substitute that my friend from Pennsylvania has holds off on making some of these decisions, we believe, too hastily, and instead more deeply involves us with the SEC. We are not talking about waiting 5 or 10 years, but it seems imprudent to go forward without waiting for a full deliberation from the SEC.

There are other companies eager to get into the business, but the fact that other companies are eager to get into the business should not be driving us any more than the reluctance of the existing companies to have new people in the business. Both sets of considerations should not be driving us, neither to protect the existing businesses nor to enable the new ones.

What we ought to be doing is focusing on the public policy process for deciding who gets to do this, and we do not believe we are yet at the point where we can do that in the ideal fashion, and we will be better off if we wait for the SEC to give us its guidance.

Mr. OXLEY. Mr. Chairman, I yield 8 minutes to the author of the legislation, the gentleman from Pennsylvania (Mr. FITZPATRICK).

Mr. FITZPATRICK of Pennsylvania. Mr. Chairman, I thank Chairman OXLEY and subcommittee Chairman BAKER for their considerable leadership on this issue.

There have been no less than five hearings over the last two terms of Congress, dozens of witnesses and approaching 1,000 pages of transcribed testimony, all pointing to the unavoidable conclusion, which is that it is vital that Congress bring competition, transparency and accountability to the credit rating industry in this Nation.

Mr. Chairman, credit rating agencies have been issuing ratings on the likelihood of an issuer's default on debt payments since the early 20th century. Today, credit rating agencies rate companies, countries and bonds. Despite being often underestimated and overlooked, their power is immense. Credit

rating agencies have a great impact on the bottom line of companies, municipalities and school districts. The better the credit rating, the lower the interest rate that the borrower must pay.

This expansive influence finally came into question because of the recent corporate scandals and the fact that the two largest NRSROs, Standard & Poor's and Moody's, rated Enron and WorldCom at investment grade just prior to their bankruptcy filings. Essentially, they told the market that Enron and WorldCom were safe investments, even though their problems were very apparent in the marketplace. As a result, reforming the rating agency industry has been the subject of much debate in the House Committee on Financial Services.

S&P's and Moody's monitoring and reviewing of Enron and WorldCom fell far below the careful efforts one would have expected from organizations whose ratings hold so much importance. And Enron and WorldCom were not their only problems. But what are the other options that are out there?

There are 130 credit rating agencies in the financial market; however, only five are rated and designated as NRSROs by the SEC. This label is the root of the problem. The SEC coined the term NRSRO without defining it in its 1975 rule on net capital requirements when it obligated broker-dealers to hold more capital for those bonds rated junk by a NRSRO. Since then, other regulators in the private investment community have taken up the term, but also without defining it. As a result, credit ratings matter only if they are issued by an NRSRO.

The commission still has never defined the term, and it has been over 30 years. It is more than naive to assume that the SEC will actually define it now. Their track record is not encouraging.

To receive the illusive distinction, companies must be nationally recognized. This artificial barrier to entry has created a chicken-and-the-egg situation for non-NRSRO credit rating agencies trying to enter this industry. As a result of the artificial barrier to entry, there are only five NRSROs. Reputable credit rating firms have been unable to receive this distinction after trying for as long as a decade. Firms like Egan Jones in my home State of Pennsylvania receive no explanation from the SEC because no process actually exists.

This SEC-imposed barrier to entry has consolidated the industry, thus fostering a duopoly. Moody's and S&P enjoy over 80 percent of the market share and rate 99 percent of the debt in the market. As a result, Moody's and S&P are raking in record fees. Since 2000, Moody's and S&P have earned average annual returns on assets of 37 and 39 percent respectively over a 6-year period. This compares to the average return on assets over the same period earned by U.S. manufacturing firms of less than 5 percent per year.

These excessive profits are government-granted to those two NRSROs by virtue of the special status granted to them by the government. As a result of this lack of competition, the quality of ratings has decreased, prices are inflated, innovation has been stifled, and anticompetitive industry practices have been allowed in conflicts of interest, like tying, notching and unsolicited ratings, have gone unchecked.

Mr. Chairman, in the wake of the seminal failure by S&P and Moody's in the WorldCom and Enron scandals, we must ensure integrity in the credit rating process. H.R. 2990 would inject greater competition, transparency and accountability in the credit rating industry. As a result, prices and anticompetitive practices will be reduced, credit rating quality will improve, and firms will be forced to innovate.

This view is shared by the Bond Market Association, the Association for Financial Professionals, the Financial Executives International, Investment Company Institute, and The Financial Services Roundtable, and I will submit their letters of support for the RECORD.

Mr. Chairman, there is a lot of talk in this town about reform and transparency and managing conflicts of interest. This bill, I would submit, meets each of those challenges, and I would like to leave you with a quote right from the horse's mouth.

The SEC stated: ''The greater competition in the market for credit ratings and analysis could provide for more credible and reliable ratings, and greater competition could also stimulate innovation in the technology and methods of analysis for issuing credit ratings, which could further lower barriers to entry.''

I submit H.R. 2990 would do just that. I strongly urge a ''yes'' vote on H.R. 2990 to ensure integrity in the credit rating industry.

THE BOND MARKET ASSOCIATION,
July 10, 2006.

Hon. MICHAEL FITZPATRICK,
House of Representatives,
Washington, DC.

DEAR REPRESENTATIVE FITZPATRICK: I applaud your efforts on legislation to reform the credit rating agency industry. The significant growth in the global capital markets in recent years has increased the importance of credit quality analysis. Boosting competition among credit rating agencies, as your legislation, the Credit Rating Agency Duopoly Relief Act (H.R. 2990), seeks to do, assures this critical industry will remain robust and innovative.

I appreciate that the version of H.R. 2990 approved last month by the House Financial Services Committee addresses concerns of Association members with an earlier version of the legislation. Specifically, the bill would no longer compel registration of a credit rating agency with the Securities and Exchange Commission. The amended version of H.R. 2990 also expands the definition of credit rating agency to include any person in the business of issuing credit ratings on the Internet or other readily accessible means for free or for a reasonable fee. Association members viewed the previous legislation as both too narrow—deeming a rating public only if it was disseminated on the Internet—and too broad—including companies who produce ratings not used for regulatory purposes. The changes included in the new legislation will help foster competition in the industry.

Again, I commend your leadership on this important issue. We support H.R. 2990 and look forward to speedy action on the bill in the House.

Sincerely,

JOHN R. VOGT,
Executive Vice President.

ASSOCIATION FOR FINANCIAL PROFESSIONALS,
Bethesda, MD, July 10, 2006.

Hon. J. DENNIS HASTERT,
Speaker, House of Representatives,
Washington, DC.

Hon. NANCY PELOSI,
Minority Leader, House of Representatives,
Washington, DC.

DEAR MR. SPEAKER AND MADAM LEADER: On behalf of the 15,000 members of the Association for Financial Professionals (AFP), I urge the House to approve the ''Credit Rating Agency Duopoly Relief Act'' (H.R. 2990) that the House Financial Services Committee recently approved by voice vote.

Credit rating agencies and investor confidence in the ratings they issue are vital to the efficient operation of global capital markets. AFP's research has consistently shown that confidence in rating agencies and their ratings is low and has continued to diminish over the past few years.

One of the root problems with this market is the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO) designation, which has erected an artificial barrier to competition. This barrier has led to a concentration of market power among the recognized rating agencies and has removed the incentives for needed innovation in the global credit ratings market. The ''Credit Rating Agency Duopoly Relief Act'' (H.R. 2990), would eliminate this regulatory barrier by reforming the process that the SEC uses to designate Nationally Recognized Statistical Rating Organizations. H.R. 2990 establishes a new registration process setting a clear path to NRSRO designation. In addition, the legislation would provide prudent oversight to ensure that registered credit rating agencies continue to issue credible and reliable ratings.

As approved by the House Financial Services Committee, H.R. 2990 will foster competition in the global credit ratings market. This competition will stimulate innovation and improve the quality of information available to investors and, as a result, restore confidence in the credit ratings market.

Thank you for your support on this important issue.

Sincerely,

JIM KAITZ,
President and CEO.

INVESTMENT COMPANY INSTITUTE,
Washington, DC, July 10, 2006.

Hon. J. DENNIS HASTERT,
Speaker, House of Representatives,
Washington, DC.

Hon. NANCY PELOSI,
Minority Leader, House of Representatives,
Washington, DC.

DEAR MR. SPEAKER AND MADAM LEADER: The Investment Company Institute urges the House to approve H.R. 2990, the ''Credit Rating Agency Duopoly Relief Act of 2005,'' legislation introduced by Rep. Michael Fitzpatrick (R–PA) and reported by the Financial Services Committee. The legislation will benefit investors and the securities markets by paving the way for increased competition in the credit ratings industry.

The SEC's current ''Nationally Recognized Statistical Rating Organization'' (NRSRO) designation process stifles competition and presents barriers for new entrants to compete with currently designated NRSROs. H.R. 2990 establishes a registration process through which additional rating agencies become NRSROs, while simultaneously granting the Commission appropriate authority to ensure the integrity and quality of credit ratings. The bill also brings much needed sunlight to credit ratings by requiring disclosure of an NRSRO's rating criteria, its methodologies and policies, how an NRSRO addresses conflicts of interest (as well as the conflicts themselves), and the organizational structure of an NRSRO.

The Institute and its members have a longstanding interest in credit ratings. Mutual funds employ credit ratings in a variety of ways—to help make investment decisions, to define investment strategies, to communicate with their shareholders about credit risk, and to inform the process for valuing securities. Most significantly for Institute members is the role of credit ratings in the operation of money market mutual funds, which currently have some $2.1 trillon in assets. Money market funds are governed by Rule 2a–7 under the Investment Company Act, which limits these funds to investing in securities either rated in the two highest short-term rating categories by an NRSRO, or determined by the fund board to be of comparable quality.

Given the importance of credit ratings to mutual funds and fund shareholders, we greatly appreciate the work of the Financial Services Committee on this issue. Accordingly, we urge Members to support this important reform legislation and vote aye on final passage. Please do not hesitate to contact me directly, or Dan Crowley in the Institute's Office of Government Affairs, (202) 326–5962, if we can provide you with any additional information.

With very best regards.

Sincerely,

PAUL SCHOTT STEVENS.

THE FINANCIAL SERVICES ROUNDTABLE,
Washington, DC, July 10, 2006.

Hon. MICHAEL G. FITZPATRICK,
House of Representatives,
Washington, DC.

DEAR CONGRESSMAN FITZPATRICK: On behalf of the members of The Financial Services Roundtable, I urge you to vote for H.R. 2990, ''The Credit Rating Agency Duopoly Relief Act of 2006.'' It would facilitate the creation of much needed competition in the credit ratings industry. Additionally, we believe that increased competition for credit rating agencies will lower the costs to financial institutions, add integrity to the credit rating process, and increase earnings for investors.

Congressional action in the credit rating industry is necessary. H.R. 2990 will help facilitate structural reform at the Securities and Exchange Commission (SEC) concerning the oversight of credit rating agencies with greater competition premised on a competitive market place philosophy.

H.R. 2990 should be enacted into law this year, specifically, for the following reasons:

There is a lack of competition among credit rating agencies. This is evidenced by the SEC designating only five companies as Nationally Recognized Statistical Recognized Organizations (NRSROs)—two of which control approximately 80% of the market. The current designation process is outdated and inefficient. H.R. 2990 would address this problem by establishing an unambiguous SEC registration process with commensurate oversight to ensure integrity in the ratings process. Moreover, to be an NRSRO, a credit rating agency must have been in business for at least three consecutive years and be registered under section 15E of the Securities Exchange Act of 1934.

This legislation would require increased disclosure of the ratings process, thus enabling the investor to make better informed decisions.

Many NRSROs have a conflict of interest concerning the independence and quality of their ratings. H.R. 2990 resolves this issue by requiring companies to publicly disclose any conflicts of interest relating to the issuance of credit ratings.

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for $50.5 trillion in managed assets, $1.1 trillion in revenue, and 2.4 million jobs.

In conclusion, we urge all members to vote for final passage of H.R. 2990, ''the Credit Rating Agency Duopoly Relief Act of 2006.'' If you or your staff have any questions or would like to discuss these issues further, please call me or Irving Daniels at 202–289–4322.

Best regards,

STEVE BARTLETT,
President and CEO.

ASSOCIATION FOR
FINANCIAL PROFESSIONALS,
July 10, 2006.

Hon. J. DENNIS HASTERT,
Speaker, House of Representatives,
Washington, DC.

Hon. NANCY PELOSI,
Minority Leader, House of Representatives,
Washington, DC.

DEAR MR. SPEAKER AND MADAM LEADER: The undersigned associations, representing a broad array of financial services firms, support H.R. 2990, the Credit Rating Agency Duopoly Relief Act, and urge its passage by the House. As associations representing mutual funds, corporate issuers, broker/dealers and institutional investors, we all agree that H.R. 2990 would facilitate much needed competition in the credit ratings industry.

Credit ratings play a significant role in the securities markets as well as the economy as a whole. Investors rely on ratings to measure relative default risks of large and small companies, as well as government entities. Ratings produced by Nationally Recognized Statistical Rating Organizations (NRSROs) are often the determining factor as to whether companies will expand or local governments can finance major municipal projects. Furthermore, ratings assigned by NRSROs play a significant role in determining the permissible instruments that certain institutional investors can hold.

Currently, competition is severely lacking among credit rating agencies as the SEC has designated only five companies as NRSROs—two of which overwhelmingly dominate the market. The current process for attaining the NRSRO designation fails to provide a reasonably clear path for potential new aspirants to follow. H.R. 2990 solves this problem by establishing an unambiguous SEC registration process with commensurate oversight to ensure integrity in the ratings process.

In addition to facilitating competition, the legislation would provide critically important information, currently unavailable to investors, about the methodologies NRSROs use to assign ratings. The bill would not dictate how NRSROs must operate but instead require disclosure of ratings processes so investors can better evaluate the quality of ratings. Additionally, NRSROs would be required to publicly disclose their policies relating to conflicts of interest and their organizational structure. Finally, NRSROs would be held accountable for ratings they issue in contravention to their disclosed policies.

We thank the Financial Services Committee for its work on NRSRO reform over the past two Congresses. H.R. 2990 significantly reforms the credit ratings industry by increasing competition, providing appropriate SEC oversight, enhancing transparency, and heightening accountability—reforms that will greatly benefit investors and securities markets as a whole. Accordingly, we urge Members to support this much-needed legislation and vote aye on final passage.

Respectfully,

Association for Financial Professionals.
Investment Company Institute.
The Financial Services Roundtable.

Mr. KANJORSKI. Mr. Chairman, I reserve the balance of my time.

Mr. OXLEY. Mr. Chairman, I yield 3 minutes to the gentleman from Louisiana (Mr. BAKER), the chairman of the Capital Markets Subcommittee.

Mr. BAKER. Mr. Chairman, I thank the gentleman for yielding and wish to compliment him for his leadership in this matter, as well as that of Mr. FITZPATRICK who has put many hours into this subject matter and, I think, has helped to produce legislation worthy of this House's consideration.

I wish to enter into the RECORD the statement of administration policy issued July 12 of this year regarding the passage of H.R. 2990, the relevant portion being: ''This legislation would enable more credit rating agencies to qualify nationally under Securities and Exchange Commission regulation. The bill requires credit rating agencies to disclose their performance records, methodologies and any conflicts of interest. The administration looks forward to working with Congress as we move towards these goals.''

It is clear the administration and the members of the Committee on Financial Services have found H.R. 2990 not only to be good legislation but necessary to be adopted; and why is that so?

If one were to ask how could you become a credit rating agency and get a part of this lucrative business today, the process is unclear. It is much like the old adage relative to identifying art, ''I know it when I see it.''

It has been some 30 years since the SEC adopted its current methodology for establishing this recognition, and yet we do not know today how one can successfully become an NRSRO, much less once you are one, who is it that looks over your shoulder, and should they find inappropriate behavior, how is one unregistered or decommissioned. That process is also unclear.

What we do know from the record is that very lucrative companies have engaged in a government-granted business operation, have garnered significant profits, and have not on all counts met their professional fiduciary duties.

The bill at hand provides for resources to register, oversee and, yes,

even unregister, decommission, provide for someone losing their license should they be found not meeting appropriate financial and fiduciary standards. For that reason alone the bill should be adopted.

But let me give one more example of past practice which I found troublesome. In the past, a rating agency could select a corporation on which it could engage in its credit analysis and issue an unsolicited credit rating. Unsolicited means the company didn't ask for it, but in some cases the rating agency would forward a bill to the corporation. Now why would the corporation pay that bill? Well, if a corporation, a public operating company, is going to issue public debt, they have to have the rating of at least two independent credit rating agencies.

□ 1400

Since two of the credit rating agencies perform about 99 percent of the ratings, it would become pretty evident that you would pay the bill because some time in the future your corporation would need to enter the public debt markets.

This bill will provide the authority for the SEC to prohibit such activity in the future, I think a highly appropriate reform. Certainly, there could be other matters brought to the attention of the House on the subject of value, but the underlying essential reforms contained in this bill should be adopted and adopted today.

STATEMENT OF ADMINISTRATION POLICY, JULY 12, 2006

H.R. 2990—CREDIT RATING AGENCY DUOPOLY RELIEF ACT OF 2006

The Administration supports House passage of H.R. 2990, the Credit Rating Agency Duopoly Relief Act of 2006. This legislation would enable more credit rating agencies to qualify nationally under Securities and Exchange Commission (SEC) regulations. In addition, the bill requires credit rating agencies to disclose their performance records, methodologies, and any conflicts of interest. This bill would improve competition and transparency in the credit rating industry, which ultimately would benefit individual investors. The Administration looks forward to working with Congress to accomplish these goals.

Mr. KANJORSKI. Mr. Chairman, I think there are good intentions on both sides of this issue, and unfortunately, I find it to be an extremely complicated issue and, most of all, not a sexy issue, as you can see by attendance on the floor.

I doubt whether 5 percent of our viewing audience out there understands what a nationally recognized statistical rating organization really is, and probably not a great deal more really care about it. Except, when you look at what they do and the effect they have on all of our lives in some very big ways, they are an important entity and we have to get this right.

And I want to point out that when this entity was constructed by rule, as Mr. FITZPATRICK pointed out, in 1975, there were originally three agencies that were granted this nationally recognized statistical rating organization nomenclature. Since that time, six have been added, for a total of nine.

Existing today, there are only five because there has been consolidation in the industry. But what that indicates is that this has not been a prohibitive area for qualified organizations to gain the recognition of a nationally recognized statistical rating organization.

I think, and I agree with our friends on the other side, that competition would be good, and the availability to enter this field would be much better if we can find a methodology to do that. It does not necessitate, however, a regimentation regime, and it certainly doesn't justify the thinking process that the marketplace, through competition, will cure all ends, and particularly if you look at the cost of competition and what it means.

Certainly, when we are dealing with hundreds and billions and trillions of dollars in instruments to be evaluated by these organizations, whatever the cost of getting that down is infinitesimal to the importance of getting the quality of the organization correct and the rating correct to protect investors.

I think that what we have a tendency to do is to think competition in and of itself is such a wonderful thing that it is going to solve all purposes. Well, I could suggest to my colleagues on the other side that if brain surgery is expensive we could entertain the idea that any doctor can register after 3 years of practice to be a brain surgeon, and that would qualify him to be a brain surgeon. And in many instances, in many places it clearly may, although I don't want him operating on my brain, and I assure you most of the Members of this House wouldn't want that process used to qualify one's self as a brain surgeon.

This organizational structure and the methodology used in the rating agency are analogous to the complications of brain surgery in the financial field. There aren't many organizations that have the capacity to do it. Those that do should have methodologies of being tested as to quality, transparency and methodology, and they should have increased competition. That we agree upon.

What we disagree upon is the nature of this bill and the regime of registration is not sufficient to guarantee quality. What may very easily happen is one or two rogue organizations, after 3 years, may apply, be designated as a nationally recognized statistical rating organization, and then do what Mr. BAKER referred to, actually bid down the value by getting business and offering to give good ratings to get business. They may actually deteriorate the value and the quality of the ratings. We don't know that for certain. We don't want to suggest that. We want to make sure that we structure a methodology and means of designating nationally recognized statistical rating organizations so we don't have deterioration in quality just to get quantity. What we wish to have is quantity and quality, and both are equally important.

I urge my colleagues in the House to consider that when they vote on this measure. I am offering a substitute which we will debate for 20 minutes immediately after the close of this debate.

I think that this is premature. At the very least, the committee and the Congress should have received legitimate critiques from the Securities Exchange Commission with all the expertise that they have. I am sure most of us don't feel fully qualified to view the structure of these organizations and their ability to perform on the basis of what we know individually. We are relying on expertise evaluation that is contained in very limited areas, one of which is certainly an independent agency of the United States Government, the Securities and Exchange Commission.

I would urge, at this time, a ''no'' vote on passage of this when we get to that point in the bill.

Mr. Chairman, I yield back the balance of my time.

Mr. OXLEY. Mr. Chairman, in closing, let me first of all recognize the gentleman from Pennsylvania, Mr. FITZPATRICK. He has been a real bulldog on this issue. The committee has worked its will passing this bill on a voice vote in the committee. His leadership has been extraordinary. The committee has had numerous hearings. We have had input from all of the usual sources, and then some, to craft this legislation.

If somebody were to tell you or anybody in this body that there was an industry out there where 80 percent of that business was controlled by two companies, whether it was in the steel industry or the auto industry, the health care field, I would suggest that particularly my friends on the other side of the aisle would be particularly upset and call it restraint of trade and ask for all kinds of investigations and to try to induce more competition and new entries into that marketplace. And that is exactly what we have got here. We have got credit rating agencies that for the last 35 years have basically had a duopoly on this very lucrative business. And as in the case with any other kind of business, when you have a duopoly or an oligopoly, you have lack of competition. You have a situation where you have conflicts of interest almost guaranteed, and you have a lack of transparency at the same time. That is what we attack in the Fitzpatrick legislation.

Now, I have been chairman of this committee for 6 years. Even before I was chairman of this committee this was an issue. The SEC would always come up before the committee, testify, well, we are working on it. We are trying to open this up. And yet, a frustrated member of the committee said, when are you ever going to get around to it?

This legislation is a wakeup call to the SEC, to the industry that, at least from our perspective, we are tired of waiting for this to happen. Everybody likes competition, but nobody likes competitors. Everybody wants to go to heaven, but nobody wants to die.

It is time that we provide the kind of competitive structure in this critical area that is long due coming.

There is a reason why, Mr. Chairman, in the Sarbanes-Oxley Act that we requested this study, because we knew that part of the problem going forward with Enron and WorldCom and the like was lack of competition and the abysmal ratings effect that two members of the duopoly created right before Enron and WorldCom collapsed. Just think about the credit rating that they gave to Enron and WorldCom just weeks before they collapsed, and it tells you a lot about the lack of competition, the lack of transparency and a potential conflict of interest in the existing status quo.

This bill is anti-status quo. It is far reaching. It is visionary, and MIKE FITZPATRICK's leadership on this cannot be overestimated. And so I think that every Member should take a look at this. This is part of the ongoing process to make our markets more competitive, more transparent, and this bill is a natural follow-up on what this Congress and what this committee has done over the years to create better confidence in the markets by investors to provide more competition therein. This legislation gets the job done, and all Members should support it.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the amendment in the nature of a substitute printed in the bill shall be considered as an original bill for the purpose of amendment under the 5-minute rule and shall be considered read.

The text of the amendment in the nature of a substitute is as follows:

H.R. 2990

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the ''Credit Rating Agency Duopoly Relief Act of 2006''.

(b) REFERENCES.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

SEC. 2. FINDINGS.

Upon the basis of facts disclosed by the record and report of the Securities and Exchange Commission made pursuant to section 702 of the Sarbanes-Oxley Act of 2002 (116 Stat. 797), hearings before the House Committee on Financial Services during the 108th and 109th Congresses, comment letters to the concept releases and proposed rules of the Securities and Exchange Commission, and facts otherwise disclosed and ascertained, the Congress finds that—

(1) credit rating agencies are of national concern, in that, among other things—

(A) their ratings, publications, writings, analyses, and reports are furnished and distributed, and their contracts, subscription agreements, and other arrangements with clients are negotiated and performed, by the use of the mails and means and instrumentalities of interstate commerce;

(B) their ratings, publications, writings, analyses, and reports customarily relate to the purchase and sale of securities traded on securities exchanges and in interstate over-the-counter markets, securities issued by companies engaged in business in interstate commerce, and securities issued by national banks and member banks of the Federal Reserve System;

(C) the foregoing transactions occur in such volume as substantially to affect interstate commerce, and securities markets, the national banking system, and the national economy; and

(D) their regulation serves the compelling interest of investor protection; and

(2) the Securities and Exchange Commission—

(A) has, through its designation of certain credit rating agencies as nationally recognized statistical rating organizations, created an artificial barrier to entry for new participants; and

(B) will, in its latest proposed rule defining nationally recognized statistical rating organizations, codify and strengthen this barrier.

SEC. 3. DEFINITIONS.

Section 3(a) (15 U.S.C. 78c(a)) is amended by adding at the end the following new paragraphs:

''(60) CREDIT RATING.—The term 'credit rating' means an assessment of the creditworthiness of an obligor as an entity or with respect to specific securities or money market instruments.

''(61) CREDIT RATING AGENCY.—The term 'credit rating agency' means any person—

''(A) engaged in the business of issuing credit ratings on the Internet or through another readily accessible means, for free or for a reasonable fee;

''(B) employing either a quantitative or qualitative model, or both, to determine credit ratings; and

''(C) receiving fees from either issuers, investors, or other market participants, or a combination thereof.

''(62) NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION OR NRSRO.—The term 'nationally recognized statistical rating organization' means a credit rating agency that—

''(A) has been in business for at least three consecutive years; and

''(B) is registered under section 15E.

''(63) PERSON ASSOCIATED WITH A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION.—The term 'person associated with a nationally recognized statistical rating organization' means any partner, officer, director, or branch manager of such nationally recognized statistical rating organization (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such nationally recognized statistical rating organization, or any employee of such nationally recognized statistical rating organization.''.

SEC. 4. REGISTRATION OF NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS.

(a) AMENDMENT.—The Securities Exchange Act of 1934 is amended by inserting after section 15D (15 U.S.C. 78o–6) the following new section:

''SEC. 15E. REGISTRATION OF NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS.

''(a) REGISTRATION PROCEDURES.—

''(1) FILING OF APPLICATION FORM.—A credit rating agency that elects to be treated as a nationally recognized statistical rating organization for the purposes of Federal statutes, rules, and regulations may be registered by filing with the Commission an application for registration in such form and containing such of the following and any other information and documents concerning such organization and any persons associated with such organization as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors:

''(A) any conflicts of interest relating to the issuance of credit ratings by a nationally recognized statistical rating organization;

''(B) the procedures and methodologies such nationally recognized statistical rating organization uses in determining credit ratings;

''(C) credit ratings performance measurement statistics over short-term, mid-term, and long-term periods of such nationally recognized statistical rating organization;

''(D) policies or procedures adopted and implemented by such nationally recognized statistical rating organization to prevent the misuse in violation of this title (or the rules and regulations thereunder) of material, non-public information; and

''(E) the organizational structure of such nationally recognized statistical rating organization.

''(2) REVIEW OF APPLICATION.—

''(A) INITIAL DETERMINATION.—Within 90 days of the date of the filing of such application (or within such longer period as to which the applicant consents) the Commission shall—

''(i) by order grant such registration; or

''(ii) institute proceedings to determine whether registration should be denied.

''(B) CONDUCT OF PROCEEDINGS.—Such proceedings shall include notice of the grounds for denial under consideration and opportunity for hearing and shall be concluded within 120 days of the date of the filing of the application for registration. At the conclusion of such proceedings the Commission, by order, shall grant or deny such registration. The Commission may extend the time for conclusion of such proceedings for up to 90 days if it finds good cause for such extension and publishes its reasons for so finding or for such longer period as to which the applicant consents.

''(C) GROUNDS FOR DECISION.—The Commission shall grant such registration if the Commission finds that the requirements of this section are satisfied. The Commission shall deny such registration if it does not make such a finding or if it finds that if the applicant were so registered, its registration would be subject to suspension or revocation under subsection (b).

''(3) PUBLIC AVAILABILITY OF INFORMATION.—Subject to section 24, the Commission, by rule, shall require a nationally recognized statistical rating organization, upon the granting of registration under this section, to make the information and documents filed with the Commission in its application for registration, or in any amendment filed under subsection (b)(1) or (2), publicly available on the website or comparable readily accessible means of such nationally recognized statistical rating organization.

''(b) UPDATE OF REGISTRATION.—

''(1) UPDATE.—Each nationally recognized statistical rating organization shall promptly amend its application for registration under this section if any information or documents provided therein become materially inaccurate, except that a nationally recognized statistical rating organization is not required to amend the information required to be filed under subsection (a)(1)(C) by a filing under this paragraph, but shall amend such information in such organization's annual filing under paragraph (2) of this subsection.

''(2) CERTIFICATION.—Not later than 90 days after the end of each calendar year, each nationally recognized statistical rating organization shall file with the Commission an amendment to its registration, in such form as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors—

''(A) certifying that the information and documents in the application for registration of such nationally recognized statistical rating organization continue to be accurate; and

''(B) listing any material changes that occurred to such information or documents during the previous calendar year.

''(c) ACCOUNTABILITY FOR RATINGS PROCEDURES.—

''(1) AUTHORITY.—The Commission shall have the authority under this Act to take action against any nationally recognized statistical rating organization if such nationally recognized statistical rating organization issues credit ratings in contravention of those procedures, criteria, and methodologies that such nationally recognized statistical rating organization—

''(A) includes in its application for registration under this section; or

''(B) makes and disseminates in reports pursuant to section 17(a) or the rules and regulations thereunder.

''(2) LIMITATION.—The rules and regulations applicable to nationally recognized statistical rating organizations the Commission may prescribe pursuant to this Act shall be narrowly tailored to meet the requirements of this Act applicable to nationally recognized statistical rating organizations and shall not purport to regulate the substance of credit ratings or the procedures and methodologies by which such nationally recognized statistical rating organizations determine credit ratings.

''(d) CENSURE, DENIAL, OR SUSPENSION OF REGISTRATION; NOTICE AND HEARING.—The Commission, by order, shall censure, place limitations on the activities, functions, or operations of, suspend for a period not exceeding 12 months, or revoke the registration of any nationally recognized statistical rating organization if the Commission finds, on the record after notice and opportunity for hearing, that such censure, placing of limitations, suspension, or revocation is in the public interest and that such nationally recognized statistical rating organization, or any person associated with such nationally recognized statistical rating organization, whether prior to or subsequent to becoming so associated—

''(1) has committed or omitted any act, or is subject to an order or finding, enumerated in subparagraph (A), (D), (E), (H), or (G) of paragraph (4) of section 15(b), has been convicted of any offense specified in subparagraph (B) of such paragraph (4) within 10 years of the commencement of the proceedings under this subsection, or is enjoined from any action, conduct, or practice specified in subparagraph (C) of such paragraph (4);

''(2) has been convicted during the 10-year period preceding the date of filing of any application for registration, or at any time thereafter, of—

''(A) any crime that is punishable by imprisonment for 1 or more years, and that is not described in section 15(b)(4)(B); or

''(B) a substantially equivalent crime by a foreign court of competent jurisdiction; or

''(3) is subject to any order of the Commission barring or suspending the right of the person to be associated with a nationally recognized statistical rating organization.

''(e) WITHDRAWAL FROM REGISTRATION.—A nationally recognized statistical rating organization registered under this section may, upon such terms and conditions as the Commission may establish as necessary in the public interest or for the protection of investors, withdraw from registration by filing a written notice of withdrawal with the Commission. If the Commission finds that any nationally recognized statistical rating organization is no longer in existence or has ceased to do business as a credit rating agency, the Commission, by order, shall cancel the registration of such nationally recognized statistical rating organization.

''(f) REPRESENTATIONS.—

''(1) REPRESENTATIONS OF SPONSORSHIP BY UNITED STATES OR AGENCY THEREOF.—It shall be unlawful for any nationally recognized statistical rating organization registered under this section to represent or imply in any manner whatsoever that such nationally recognized statistical rating organization has been designated, sponsored, recommended, or approved, or that such nationally recognized statistical rating organization's abilities or qualifications have in any respect been passed upon, by the United States or any agency, any officer, or any employee thereof.

''(2) REPRESENTATION AS NRSRO OF UNREGISTERED CREDIT RATING AGENCIES.—It shall be unlawful for any credit rating agency to represent or imply in any manner whatsoever that such credit rating agency has been designated, sponsored, recommended, or approved, or that such credit rating agency's abilities or qualifications have in any respect been passed upon, by the United States or any agency, any officer, or any employee thereof. It shall be unlawful for any credit rating agency that is not registered under this section as a nationally recognized statistical rating organization to state that such credit rating agency is a nationally recognized statistical rating organization under this Act.

''(3) STATEMENT OF REGISTRATION UNDER SECURITIES EXCHANGE ACT OF 1934 PROVISIONS.—No provision of paragraph (1) shall be construed to prohibit a statement that a nationally recognized statistical rating organization is a nationally recognized statistical rating organization under this Act, if such statement is true in fact and if the effect of such registration is not misrepresented.

''(g) PREVENTION OF MISUSE OF NONPUBLIC INFORMATION.—Each nationally recognized statistical rating organization shall establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of such nationally recognized statistical rating organization's business, to prevent the misuse in violation of this title, or the rules or regulations thereunder, of material, nonpublic information by such nationally recognized statistical rating organization or any person associated with such nationally recognized statistical rating organization. The Commission, as it deems necessary or appropriate in the public interest or for the protection of investors, shall adopt rules or regulations to require specific policies or procedures reasonably designed to prevent misuse in violation of this title (or the rules or regulations thereunder) of material, nonpublic information.

''(h) MANAGEMENT OF CONFLICTS OF INTEREST.—Each nationally recognized statistical rating organization shall establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of the business of such nationally recognized statistical rating organization and affiliated persons and affiliated companies of such nationally recognized statistical rating organization, to address and manage the conflicts of interest that can arise from such business. The Commission, as it deems necessary or appropriate in the public interest or for the protection of investors, shall adopt rules or regulations to prohibit, or require the management or disclosure of, any conflicts of interest relating to the issuance of credit ratings by a nationally recognized statistical rating organization including, without limitation, conflicts of interest relating to—

''(1) the manner in which a nationally recognized statistical rating organization is compensated by the obligor, or any affiliate of the obligor, for issuing credit ratings or providing related services;

''(2) the provision of consulting, advisory, or other services by a nationally recognized statistical rating organization, or any person associated with such nationally recognized statistical rating organization, to the obligor, or any affiliate of the obligor;

''(3) business relationships, ownership interests, or any other financial or personal interests between a nationally recognized statistical rating organization, or any person associated with such nationally recognized statistical rating organization, and the obligor, or any affiliate of the obligor; and

''(4) any affiliation of a nationally recognized statistical rating organization, or any person associated with such nationally recognized statistical rating organization, with any person that underwrites the securities or money market instruments that are the subject of a credit rating.

''(i) PROHIBITED CONDUCT.—

''(1) PROHIBITED ACTS AND PRACTICES.—The Commission may adopt rules or regulations to prohibit any act or practice relating to the issuance of credit ratings by a nationally recognized statistical rating organization that the Commission determines to be unfair, coercive, or abusive, including any act or practice relating to—

''(A) seeking payment for a credit rating that has not been specifically requested by the obligor—

''(i) from an obligor; or

''(ii) from an affiliate of an obligor, unless—

''(I) the organization is organized under subsection (a)(1)(E) to receive fees from investors or other market participants, or a combination thereof; and

''(II) the affiliate is such an investor or participant;

''(B) conditioning or threatening to condition the issuance of a credit rating on the obligor's, or an affiliate of the obligor's, purchase of other services or products, including pre-credit rating assessment products, of the nationally recognized statistical rating organization or any person associated with such nationally recognized statistical rating organization;

''(C) lowering or threatening to lower a credit rating on, or refusing to rate, securities or money market instruments issued by an asset pool unless a portion of the assets within such pool also is rated by the nationally recognized statistical rating organization;

''(D) modifying or threatening to modify a credit rating or otherwise departing from its adopted systematic procedures and methodologies in determining credit ratings, based on whether the obligor, or an affiliate of the obligor, pays or will pay for the credit rating or any other services or products of the nationally recognized statistical rating organization or any person associated with such nationally recognized statistical rating organization.

''(2) RULE OF CONSTRUCTION.—Nothing in paragraph (1), or in any rules or regulations adopted thereunder, shall be construed to modify, impair, or supersede the operation of any of the antitrust laws. For the purposes of the preceding sentence, the term 'antitrust laws' has the meaning given it in the first section of the Clayton Act (15 U.S.C. 12), except that such term includes section 5 of the Federal Trade Commission Act (15 U.S.C. 45) to the extent such section 5 applies to unfair methods of competition.

''(j) DESIGNATION OF COMPLIANCE OFFICER.—Each nationally recognized statistical rating organization shall designate an individual responsible for administering the policies and procedures that are required to be established pursuant to subsections (g) and (h), and for ensuring compliance with the securities laws and the rules and regulations thereunder, including those promulgated by the Commission pursuant to this section.

''(k) STATEMENTS OF FINANCIAL CONDITION.—Each nationally recognized statistical rating organization shall, on a confidential basis, file with the Commission, at intervals determined by the Commission, such financial statements, certified (if required by the rules or regulations of the Commission) by an independent public accountant, and information concerning its financial condition as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

''(l) ELIMINATION OF COMMISSION DESIGNATION PROCESS FOR NRSRO'S.—

''(1) CESSATION OF DESIGNATION.—Within 30 days after the enactment of the Credit Rating Agency Duopoly Relief Act of 2006, the Commission shall cease to designate persons and companies as nationally recognized statistical rating organizations, as that term is used under rule 15c3–1 of the Commission's rules (17 CFR 240.15c3–1).

''(2) PROHIBITION ON RELIANCE ON NO-ACTION RELIEF.—The no-action relief that the Commission has granted with respect to the designation of nationally recognized statistical rating organizations, as that term is used under rule 15c3–1 of the Commission's rules (17 CFR 240.15c3–1), shall be void and of no force or effect.

''(3) NOTICE TO OTHER AGENCIES.—Within 30 days after the date of enactment of the Credit Rating Agency Duopoly Relief Act of 2006, the Commission shall give notice to the Federal agencies which employ the term 'nationally recognized statistical rating organization' (as that term is used under rule 15c3–1 of the Commission's rules (17 CFR 240.15c3–1)) in their rules and regulations regarding the actions undertaken pursuant to this section.

''(4) REVIEW OF EXISTING REGULATIONS.—Within 180 days after the date of enactment of the Credit Rating Agency Duopoly Relief Act of 2006, the Commission shall review its existing rules and regulations which employ the term 'nationally recognized statistical rating organization' or 'NRSRO' and promulgate new or revised rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.''.

(b) CONFORMING AMENDMENTS TO THE 1934 ACT.—

(1) Section 15(b)(4)(B)(ii) (15 U.S.C. 78o(b)(4)(B)(ii)) is amended by inserting ''nationally recognized statistical rating organization,'' after ''transfer agent,''.

(2) Section 15(b)(4)(C) (15 U.S.C. 78o(b)(4)(C)) is amended by inserting ''nationally recognized statistical rating organization,'' after ''transfer agent,''.

(3) Section 21B(a) (15 U.S.C. 78u–2(a)) is amended by inserting ''15E,'' after ''15C,''.

(c) OTHER CONFORMING AMENDMENTS.—

(1) Section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)) is amended by adding at the end the following new paragraph:

''(53) The term 'credit rating agency' has the same meaning as given in section 3 of the Securities Exchange Act of 1934.''.

(2) Section 9(a)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–9(a)) is amended by inserting ''credit rating agency,'' after ''transfer agent,''.

(3) Section 9(a)(2) of the Investment Company Act of 1940 (15 U.S.C. 80a–9(a)) is amended by inserting ''credit rating agency,'' after ''transfer agent,''.

(4) Section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)) is amended by adding at the end the following new paragraph:

''(28) The term 'credit rating agency' has the same meaning as given in section 3 of the Securities Exchange Act of 1934.''.

(5) Section 203(e)(2)(B) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(e)) is amended by inserting ''credit rating agency,'' after ''transfer agent,''.

(6) Section 203(e)(4) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(e)) is amended by inserting ''credit rating agency,'' after ''transfer agent,''.

(7) Section 1319 of the Housing and Community Development Act of 1992 (12 U.S.C. 4519) is amended by striking ''effectively'' and all that follows through ''broker-dealers'' and inserting ''that is a nationally recognized statistical rating organization, as such term is defined in section 3(a) of the Securities Exchange Act of 1934''.

(8) Section 439 of the Higher Education Act of 1965 (20 U.S.C. 1087–2) is amended in subsection (r)(15)(A) by striking ''means any entity recognized as such by the Securities and Exchange Commission'' and inserting ''means any nationally recognized statistical rating organization as that term is defined under the Securities Exchange Act of 1934''.

(9) Section 601(10) of title 23, United States Code, is amended by striking ''identified by the Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization'' and inserting ''registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization as that term is defined under the Securities Exchange Act of 1934 (15 U.S.C. 78 et seq.)''.

SEC. 5. ANNUAL AND OTHER REPORTS.

Section 17(a)(1) (15 U.S.C. 78q(a)(1)) is amended by inserting ''nationally recognized statistical rating organization,'' after ''registered transfer agent,''.

SEC. 6. GAO STUDY AND REPORT REGARDING CONSOLIDATION OF CREDIT RATING AGENCIES.

(a) STUDY REQUIRED.—The Comptroller General of the United States shall conduct a study—

(1) to identify—

(A) the factors that have led to the consolidation of credit rating agencies;

(B) the present and future impact of the condition described in subparagraph (A) on the securities markets, both domestic and international; and

(C) solutions to any problems identified under subparagraph (B), including ways to increase competition and the number of firms capable of providing credit rating services to large national and multinational business organizations that are subject to the securities laws;

(2) of the problems, if any, faced by business organizations that have resulted from limited competition among credit rating agencies, including—

(A) higher costs;

(B) lower quality of services;

(C) anti-competitive practices;

(D) impairment of independence; and

(E) lack of choice; and

(3) whether and to what extent Federal or State regulations impede competition among credit rating agencies.

(b) CONSULTATION.—In planning and conducting the study under this section, the Comptroller General shall consult with—

(1) the Securities and Exchange Commission;

(2) the Department of Justice; and

(3) any other public or private sector organization that the Comptroller General considers appropriate.

(c) REPORT REQUIRED.—Not later than 180 days after the date of enactment of this Act, the Comptroller General shall submit a report on the results of the study required by this section to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.

SEC. 7. EFFECTIVE DATE.

The amendments made by sections 4 and 5 shall take effect on January 1, 2008, except as otherwise provided in paragraphs (1), (3), and (4) of subsection (l) of section 15E of the Securities Exchange Act of 1934 (as added by such amendments), and except that the Securities and Exchange Commission is authorized to prescribe rules and regulations to carry out such amendments beginning on the date of enactment of this Act.

The CHAIRMAN. No amendment to the committee amendment is in order except those printed in House Report 109–550. Each amendment may be offered only in the order printed in the report, by a Member designated in the report, shall be considered read, shall be debatable for the time specified in the report, equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

AMENDMENT NO. 1 OFFERED BY MR. OXLEY

The CHAIRMAN. It is now in order to consider amendment No. 1 printed in House Report 109–550.

Mr. OXLEY. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 1 offered by Mr. OXLEY:

Page 3, line 20, insert ''staff'' after ''its''.

Page 4, line 1, strike ''will'' and insert ''would''.

Page 4, line 16, insert ''but does not include a commercial credit reporting company'' after ''fee''.

Page 5, line 3, strike ''for at least three'' and insert ''as a credit rating agency for at least the past 3''.

Page 6, line 1, strike ''FILING'' and insert ''FURNISHING''.

Page 6, line 5, strike ''filing with'' and insert ''furnishing to''.

Page 6, line 21, insert ''(as applicable)'' after ''periods''.

Page 7, line 9, strike ''filing'' and insert ''furnishing''.

Page 7, line 20, strike ''filing'' and insert ''furnishing''.

Page 8, line 11, strike ''subsection (b)'' and insert ''subsection (d)''.

Page 8, line 17, strike ''filed with'' and insert ''furnished to''.

Page 8, line 18, strike ''filed'' and insert ''furnished''.

Page 8, line 19, strike ''the website or'' and insert ''its website or through another''.

Page 8, beginning on line 20, strike ''of such nationally recognized statistical rating organization''.

Page 9, line 4, strike ''filed'' and insert ''furnished''.

Page 9, line 5, strike ''a filing'' and insert ''an amendment furnished''.

Page 9, line 7, strike ''filing'' and insert ''amendment furnished''.

Page 9, beginning on line 11, strike ''file with'' and insert ''furnish to''.

Page 11, line 20, strike ''filing of'' and insert ''furnishing''.

Page 12, line 12, strike ''filing a written notice of withdrawal with'' and insert ''furnishing a written notice of withdrawal to''.

Page 18, line 23, strike ''file with'' and insert ''furnish to''.

Page 19, line 5, insert ''STAFF'S'' after ''COMMISSION''.

Page 19, line 9, insert ''staff'' after ''Commission''.

Page 19, line 15, insert ''staff'' after ''Commission''.

Page 20, line 6, strike ''180 days'' and insert ''360 days''.

Page 23, strike lines 3 through 6 and insert the following:

SEC. 5. ANNUAL AND OTHER REPORTS.

Section 17(a)(1) (15 U.S.C. 78q(a)(1)) is amended—

(1) by inserting ''nationally recognized statistical rating organization,'' after ''registered transfer agent,''; and

(2) by adding at the end the following: ''Any report a nationally recognized statistical rating organization may be required by Commission rules under this paragraph to make and disseminate to the Commission shall be deemed furnished to the Commission.''

The CHAIRMAN. Pursuant to House Resolution 906, the gentleman from

Ohio (Mr. OXLEY) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Ohio.

Mr. OXLEY. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise to offer an amendment to H.R. 2990, the Credit Rating Agency Duopoly Relief Act. This amendment makes certain clarifying and technical changes to Mr. FITZPATRICK's rating agency reform legislation.

Specifically, the amendment clarifies that there is no private right of action for rating agencies registered as nationally recognized statistical rating organizations, or NRSROs, under the Securities Exchange Act of 1934. Neither is there an express or an implied private right of action with respect to rating agencies registered as NRSROs under the Securities Exchange Act. The Securities and Exchange Commission will retain its enforcement authority over registered rating agencies.

In addition, the amendment allots to the Securities and Exchange Commission an additional 6 months, for a total of 1 year, to review and, if necessary, revise its regulations that use the term ''NRSRO.'' The additional time will allow the SEC and industry participants more time to properly assess regulations using the NRSRO technology.

This amendment also makes a number of technical amendments, clarifying definitions, findings and disclosure requirements.

I urge all Members to support this amendment.

Mr. Chairman, I reserve the balance of my time.

Mr. KANJORSKI. Mr. Chairman, I rise to claim the time in opposition.

The Acting CHAIRMAN (Mr. SWEENEY). The gentleman is recognized for 5 minutes.

Mr. KANJORSKI. Mr. Chairman, I rise in order to express some thoughts on the amendment, but I do not intend to oppose the manager's amendment itself.

The manager's amendment, Mr. Chairman, makes a number of technical changes in the bill, improving its precision, fixing drafting errors and extending the implementation time frames. These changes are acceptable and appropriate.

The manager's amendment also makes a set of larger and more significant changes; namely, it alters the bill's wording in multiple places in an attempt to address recently raised concerns about the possible creation of explicit and implicit private rights of action under the bill.

Regardless of one's position on whether these changes are needed, and whether they accomplish their intended purposes, the fact is that these modifications are coming late in the legislative process and indicates that the legislation is not well thought out.

□ 1415

Moreover, this is precisely the type of issue on which getting the views of the experts at the Securities and Exchange Commission would have been helpful and invaluable.

That said, Mr. Chairman, I do not intend to object to the manager's amendment.

Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

Mr. OXLEY. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio (Mr. OXLEY).

The amendment was agreed to.

AMENDMENT NO. 2 OFFERED BY MR. KANJORSKI

The Acting CHAIRMAN. It is now in order to consider amendment No. 2 printed in House Report 109–550.

Mr. KANJORSKI. Mr. Chairman, I offer a substitute amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 2 offered by Mr. KANJORSKI:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This act may be cited as the ''Credit Ratings Accountability and Transparency Act of 2006''.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Credit rating agencies play an important role in the United States capital markets by opining on the creditworthiness of certain entities, securities, and money market instruments.

(2) Institutional and retail investors utilize ratings issued by credit rating agencies in connection with evaluating credit risk and making investment decisions.

(3) The Securities and Exchange Commission staff, through the no action letter process, has identified certain credit rating agencies as Nationally Recognized Statistical Rating Organizations or NRSROs.

(4) Many Federal and State regulators and legislatures require the use of NRSRO ratings in regulations and statutes, including those concerning capital requirements for regulated financial institutions and portfolio quality standards, to ensure the utilization of high quality ratings.

(5) The Commission staff's process for identifying NRSROs should be more transparent and efficient, while maintaining a high level of quality among NRSROs.

(6) Increased competition among credit rating agencies seeking to be identified as a NRSRO is desirable, so long as it is consistent with efforts to ensure high quality ratings.

SEC. 3. RULEMAKING ON NRSRO DEFINITION.

(a) NRSRO DEFINITION.—Within 60 days after the date of enactment of this Act, the Commission shall finalize its proposed rulemaking to define a NRSRO, published in the Federal Register on April 25, 2005 (70 Fed. Reg. 21306 et seq.).

(b) PUBLICATION OF GUIDELINES.—Within 180 days after the date of enactment of the Act, the Commission shall publish guidelines concerning the process by which Commission staff issues no-action letters regarding NRSROs, including guidelines concerning the staff's determinations in such no-action letters.

SEC. 4. SENSE OF CONGRESS ON NRSRO VOLUNTARY FRAMEWORK.

(a) FINDINGS.—Congress finds the following:

(1) The existing NRSROs in the United States have entered into discussions to improve current oversight of their activities via the adoption of a voluntary framework.

(2) These discussions have sought to apply the self-regulatory model approved by the International Organization of Securities Commissions (in this section referred to as ''IOSCO'') of which the Commission is a participant.

(3) The European Commission policy on credit rating agencies set out in December 2005 used compliance with the IOSCO code as a central component in ensuring the proper functioning of rating agencies in the capital markets.

(4) The Chairman of the Commission has testified before the Financial Services Committee of the House of Representatives that Commission staff are continuing to review drafts of a voluntary framework developed by the NRSROs and offer advice about its provisions and contents.

(5) The adoption of a voluntary framework by NRSROs in the United States based on the IOSCO self-regulatory model and paralleling the regulatory regime adopted by the European Commission would enhance market discipline, advance investor protection, and facilitate the harmonization of international standards in the area of credit ratings.

(b) SENSE OF CONGRESS.—In light of the findings set forth in subsection (a), it is the sense of the Congress that—

(1) all interested parties involved in establishing a voluntary framework for self-regulation in the United States, which is similar to the self-regulatory regime recently adopted by the European Commission that is based upon the IOSCO-approved code for overseeing credit rating agencies, should complete discussions and implement a self-regulatory model as soon as practicable;

(2) such voluntary framework should be developed in consultation with the Commission and include adoption of any and all rules, regulations, policies, and practices deemed necessary and appropriate for the protection of investors and in the public interest, including the disclosure of written policies and procedures of NRSROs in the United States designed to—

(A) address conflicts of interest relating to—

(i) relationships between NRSROs and rated entities;

(ii) relationships between NRSROs and underwriters; and

(iii) fee structures of the NRSROs;

(B) prevent the misuse of confidential information by a NRSRO or any person associated with a NRSRO;

(C) ensure compliance with all relevant Federal securities laws;

(D) ensure that each NRSRO is capable of issuing independent, predictive, consistent, and reliable ratings; and

(E) provide performance data, including default rates for its ratings, for the immediately preceding 4 years, or if in existence less than 4 years, for the life of the entity.

SEC. 5. ANNUAL TESTIMONY ON IMPROVING THE CREDIT RATING INDUSTRY.

The Chairperson of the Commission, or a designee of the Chairperson, shall annually provide oral testimony beginning in 2007, and for 5 years thereafter, to the Committee on Financial Services of the House of Representatives regarding efforts to improve the transparency and accountability of the credit rating industry, including—

(1) the designation of NRSROs;

(2) the status and the effectiveness of the voluntary framework described in section 4;

(3) the quality of ratings issued by NRSROs;

(4) the state of competition among NRSROs; and

(5) the appropriateness, need, and form of any potential legislation in the area of credit ratings.

SEC. 6. DEFINITIONS.

As used in this Act—

(1) the term ''Commission'' means the Securities and Exchange Commission; and

(2) the term ''NRSRO'' means a Nationally Recognized Statistical Rating Organization as determined by the Commission.

The Acting CHAIRMAN. Pursuant to House Resolution 906, the gentleman from Pennsylvania (Mr. KANJORSKI) and a Member opposed each will control 10 minutes.

The Chair recognizes the gentleman from Pennsylvania.

Mr. KANJORSKI. Mr. Chairman, I yield myself such time as I may consume.

While the supporters of H.R. 2990 have tinkered with and somewhat improved the bill since its introduction, the central provision of the legislation, in the words of the Consumer Federation of America, is ''fatally flawed.'' I am likewise very concerned that this bill sacrifices the quality of independent assessments of financial strength provided by the ''nationally recognized'' credit raters that help our capital markets remain vibrant.

As a result, I am offering a substitute. Unlike H.R. 2990, which creates an untested system for establishing nationally recognized agencies, this alternative expedites and builds upon existing regulatory, private sector, and international reform efforts.

The voluntary registration regime of H.R. 2990 will increase the number of nationally recognized agencies without assuring the credibility and reliability of the issued ratings. We must seek equilibrium, balancing the desire to increase the quantity of approved agencies with the need to ensure high-quality ratings. The substitute addresses this shortcoming.

Moreover, H.R. 2990 ignores ongoing reform efforts. The Securities and Exchange Commission has a rulemaking pending on these matters. Currently, approved raters are also developing a voluntary, robust self-regulatory regime based on the industry code established by the International Organization of Securities Commissions. Moreover, the European Commission recently relied on this global code to oversee its approved rating agencies.

Congress should build upon these domestic, private sector, and international reform efforts rather than creating chaos by forging a new regulatory plan. To ensure the advancement of good public policy in this area, we need to recognize the work of others. We also ought to provide for the continued legislative oversight of these matters and minimize unintended consequences.

Specifically, the substitute would require the commission to complete its definitional rulemaking on what constitutes an approved rating agency within 60 days of enactment. It would also require the commission to establish public guidance about the process used to identify new, nationally recognized agencies within 180 days of enactment.

The substitute would additionally encourage participating parties to expedite and complete their discussions over the voluntary framework to improve market discipline and enhance rating quality. Finally, it would require annual hearings before the Financial Services Committee to explore the need for further action.

In short, the substitute establishes a globally consistent market-based approach. It protects the quality of ratings, enhances competition, and injects transparency into the process for determining nationally recognized agencies. It also promotes international harmonization; ensures that Congress stays focused on these matters; and gives the commission, which has the foremost expertise on these issues, a seat at the table in developing any future bill.

In Monday's Bond Buyer, the head of JPMorgan's rating advisory group opined that efforts related to the rulemaking to defined approved rating agencies and to establish a voluntary framework consistent with global standards offers a ''positive solution'' to present concerns. We should heed his advice to balance quality and quantity concerns in order to ensure that investors benefit from the best thinking and the best opinions by passing this substitute.

In sum, Mr. Chairman, the substitute pursues a more prudent course that accelerates and adds to ongoing domestic, private sector, and international reform efforts instead of creating an untested system for establishing nationally recognized agencies. This alternative would also protect investors by ensuring high-quality ratings.

It is the better approach, and I urge its adoption.

Mr. Chairman, I reserve the balance of my time.

Mr. BAKER. Mr. Chairman, I rise to claim the time in opposition to the amendment.

The Acting CHAIRMAN. The gentleman from Louisiana is recognized for 10 minutes.

Mr. BAKER. Mr. Chairman, I yield myself such time as I may consume.

I want to make clear that there is a difference of opinion as to the appropriate method to move forward and establish that the committee's work product is not frivolously or expeditiously constructed. The committee has worked many long hours and heard from many experts in the field as to the most sound recommendations that could be adopted to effect the changes both sides agree need to be made. In studying the gentleman's substitute, I think it is important to recognize, however, the consequences if the House were to adopt this specific recommendation.

The Kanjorski amendment would establish by sense of Congress that the SEC should continue to negotiate with the NRSROs to form some sort of unidentified self-regulatory model. What has been suggested in the proposal is that offered by the International Organization of Securities Commissions, the acronym IOSCO. The IOSCO code provides for a rating agency disclosure regime, but those who have studied it who do not share its goals point out there is the lack of a meaningful enforcement provision that is so essential, we believe, that is contained in H.R. 2990. It is important that if we do identify conduct that is inappropriate financial behavior, violating one's fiduciary obligation, that the regulatory structure have a mechanism to take away the right to practice. H.R. 2990 would provide that certainty.

And, further, Mr. KANJORSKI's amendment requires the SEC to testify annually for a period of 5 years on the SEC's efforts to improve the transparency of the credit rating agency. Therein, I think, generally not giving much attention on the question of reporting by an agency represents the real thrust of the amendment. It is to continue the dialogue for another 5 years.

Well, we have identified the sufficient problems to bring to the Congress's concern. There is time for action. The time is now. And adoption of the Fitzpatrick recommendation, H.R. 2990, is essential and justified and, I think, essential and justified for us to act today.

Mr. Chairman, I reserve the balance of my time.

Mr. KANJORSKI. Mr. Chairman, I yield 4 minutes to the gentleman from North Dakota (Mr. POMEROY).

Mr. POMEROY. Mr. Chairman, I rise both as a Representative of North Dakota and also as a former State insurance regulator, a solvency regulator, to speak in favor of the substitute and against the underlying legislation.

Let me talk about the underlying legislation first. This essentially ''go to a laissez-faire, let the market determine rating agency credibility'' is a very different departure from the long-established course we have been on with national registered statistical rating agencies.

Just a little textbook lesson here: Transparency is generally regarded as essential to the free function of financial markets. But transparency depends upon the ability of those participating in the markets to know the credit worthiness of the players. These statistical rating agencies make an assessment of the credit worthiness of the players and put the information out so the market can employ it.

Now what they would do is move away from a guaranteed assessment of credibility by a national registry on these statistical rating agencies, and they would let you have this designation for an outfit that has been in existence 3 years, with no evaluation of the competence and the credibility underlying the assessments made by

these credit rating agencies. The result, of course, is predictable: widely different quality in the credit assessment brought forward by the rating agencies.

This is very bad business. Very bad business for virtually all involved. For the investors: Well, you want to make an investment, but they say the Humpty Dumpty rating agency gives this a triple star, grade A rating. Well, you don't really know a lot about Humpty Dumpty rating agency, but it sounds pretty good. They are one of these statistical rating agencies because they have been around 3 years, and you make your investment accordingly.

The competence of the Humpty Dumpty rating agency matters, which is why the present approach to the national registry matters. Deregulating it is bad for investors and people will lose money.

Now, if it is bad for investors, you might say, well, that must really be a boon, then, to companies that want to fleece investors by raising capital on noncredit-worthy enterprises. Not necessarily. I think this is bad for companies too. And let me tell you about an experience I encountered as an insurance commissioner.

We had standard rating agencies, and then there was a startup rating agency. It got a lot of press. Inevitably, they kept coming up with more alarming rating assessments of the insurance companies, and that got widely reported in the financial press because it was newsworthy. It was a bit of the ''sky is falling'' rating agency.

And yet here is how that rating agency made money: If you wanted to call in and get their rating of an insurance company, you had to pay them money to get that information. They made money for every call into their office. So they put out a fancy press release on an insurance company or on insurance company ratings at large, drum up free media coverage, get people calling in, and by the calls, make a lot of money. In the process, I believe they were often very unfair in their ratings and giving a falsely ominous impression of the solvency status of the insurance companies.

So this thing, while bad for investors, it may be bad for companies too because in this proliferation of unregulated rating agencies, you are going to have some rating agencies that just love to tell a terrible story, irrespective of whether it is fair or whether it is not.

So really disconnecting from the Securities and Exchange Commission and to have the majority in the House run this deregulation of rating agencies, ultimately so critical to the function of our financial markets, is, frankly, just a little nutty, not well founded, not well thought out; and it is an idea that ought to be cured by the passage of the substitute, which basically brings it back in line with the quality assurance of nationally registered statistical rating agencies.

I thank the gentleman for yielding.

Mr. BAKER. Mr. Chairman, I yield 3 minutes at this time to the primary sponsor of the legislation, Mr. FITZPATRICK.

Mr. FITZPATRICK of Pennsylvania. Mr. Chairman, as the bill's sponsor, I rise in opposition to the substitute amendment offered.

It is vital that Congress bring competition, transparency, and accountability to the credit rating industry. And H.R. 2990 would accomplish just that. However, Congressman KANJORSKI's substitute amendment retains the anticompetitive status quo and provides no transparency and no accountability.

The subcommittee amendment offered today has three key components: It requires the SEC to complete its definitional rulemaking; it encourages completion of the voluntarily framework; and it calls for hearings on rating agencies before the Committee on Financial Services.

□ 1430

First, the SEC has never defined the term ''NRSRO,'' and it has been over 30 years. I doubt that the SEC's illustrious track record on this issue deserves this much faith. H.R. 2990 replaces this vague and undefined system with a registration system and is consistent with the free market principles of our Federal securities laws. The substitute amendment makes no change to this ambiguous and anticompetitive system.

Second, a voluntary agreement offers no real accountability. The SEC cannot enforce violations of the voluntary agreement by rating agencies that sign it, let alone those agencies that are not signatories. H.R. 2990 holds credit rating firms accountable and requires adherence to the credit rating firm's stated methodologies.

Third, there already have been numerous hearings in the Financial Services Committee in the 108th and 109th Congresses. No less than five, dozens of witnesses have been called to testify before the committee, and close to 1,000 pages of recorded and transcribed testimony. The Financial Services Committee has been diligent in holding hearings on this important issue.

Mr. Chairman, in the wake of a seminal failure by S&P and Moody's in the Enron and WorldCom scandals, we must ensure integrity in the credit ratings process. This bill would inject greater competition, transparency and accountability in the credit rating industry. As a result, prices and anticompetitive practices will be reduced, credit ratings quality will improve, and firms will innovate.

Mr. Chairman, I strongly urge a ''no'' vote on the substitute amendment.

Mr. KANJORSKI. Mr. Chairman, may I inquire as to how many speakers are on the other side.

Mr. BAKER. Mr. Chairman, how much time is remaining?

The Acting CHAIRMAN. The gentleman from Pennsylvania (Mr. KANJORSKI) has 1½ minutes remaining. The gentleman from Louisiana (Mr. BAKER) has 5½ minutes remaining.

Mr. BAKER. Mr. Chairman, we will have two.

Mr. KANJORSKI. Then I will reserve my time.

Mr. BAKER. Mr. Chairman, I yield 3 minutes to the gentleman from North Carolina (Mr. MCHENRY), a valuable member of the Financial Services Committee.

Mr. MCHENRY. Mr. Chairman, I first want to begin by thanking my colleague from Pennsylvania for offering this substitute. I think it is important that on large issues coming before Congress that both sides are heard.

We dealt with this issue in committee. This bill, sponsored by my colleague from Pennsylvania (Mr. FITZPATRICK) was voted out of committee by a voice vote, certainly not a very controversial piece of legislation. Mr. KANJORSKI's amendment, offered in the nature of a substitute as well in the committee, which is substantially the same as he is offering here today, was voted down. So we have already dealt with this and wrestled with this issue in committee.

I also want to talk about the substance of his amendment today. What it does is retain the status quo. In essence, the SEC has endorsed an anticompetitive model for credit rating agencies. There are two dominating credit rating agencies that control 80 percent of the marketplace, and this is because of SEC regulation.

What Mr. FITZPATRICK's bill does is enable the private sector to come forward and actually increase the number of credit rating agencies in the marketplace so investors can decide. So it is a free market piece of legislation.

What Mr. KANJORSKI's bill does is retain the status quo that is anticompetitive, and beyond that, it has no accountability. It is a voluntary regime which Mr. KANJORSKI endorses, without any real mechanism of enforcement, and beyond that, it codifies this chicken and egg problem within the credit rating agencies today.

You have to be a nationally recognized credit rating rated agency in order to be a national recognized credit agency. Now here is the deal. You can operate all you want and call yourself a nationally recognized credit rating rated agency, but unless you are recognized by the SEC you cannot operate.

So, therefore, you are codifying in law a very complicated procedure that the SEC has put in place. It says you cannot actually function in the marketplace without the SEC endorsing it, but in order to get the SEC to endorse you, you have to be in the marketplace and operating. So, in essence, we have a very complicated piece of procedure that the SEC's put in place that is anticompetitive.

Beyond that, Mr. Speaker, in conclusion, I would say that what the gentleman from Pennsylvania is offering in the nature of a substitute is a question of who, not what. This is truly

about politics today. I think it is a question of who is sponsoring the legislation, who is moving the legislation, not what the underlying legislation does.

I would ask my colleague to vote with us on final passage, to move forward past this substitute and let us do the business of the House and the business of the people and endorse a free market solution.

Mr. KANJORSKI. Mr. Chairman, I think I have the right to close, so I will reserve my time.

The Acting CHAIRMAN. The gentleman from Louisiana (Mr. BAKER) has the right to close.

Mr. KANJORSKI. Mr. Chairman, I yield myself the balance of the time.

Mr. Chairman, I listened to the last speaker with somewhat dismay. He tended to quote a lot of votes. Yes, there was a vote that passed this on from the committee to the floor, and after the preceding vote that was held by the committee on the substitute he failed to inform the House that there were 35 against the substitute, 31 in favor of the substitute. This did not come out of the committee without contention. It came out on the voice vote because we saw the count was 35–31. We did not call for a vote.

Secondly, the gentleman charges my suggestion of the substitute as a definition to define and maintain the status quo. Either he has not looked at the substitute or we define the status quo in different proportions because this substitute does several things.

First and foremost, it would require the Securities and Exchange Commission to complete its definitional rulemaking of what constitutes an approved rating agency within 60 days of enactment. That does not give them unlimited time to continue to pursue. Within 60 days they have to have the definition.

The second position, it would require the commission to establish public guidelines about the process used to identify new nationally recognized agencies within 180 days of enactment, within 6 months. That is hardly the status quo.

Then, finally, we would encourage continuation and participation of the parties to expedite and complete a voluntary framework to improve the discipline and enhance rating quality.

This substitute accomplishes several things, moves the process along but does not create an entire new entity and process which is contradictory to international agreements and other conditions held throughout the world.

I urge the adoption of the substitute.

Mr. BAKER. Mr. Chairman, I yield myself the remaining time.

Mr. Chairman, it is appropriate, I think, to perhaps review the subject matter at hand from a little higher altitude than the debate has taken us.

We have an obligation in this House to ensure that hardworking American families who invest their money in the markets can do so in the most safe and sound manner possible. What we now know about the function of the credit rating agencies over the past decade is their performance has been less than what we should expect. In fact, days before corporate failures, they continued to report the highest investment grade analysis on many troubled companies. We know that we must act to ensure that pension fund investors, managers of perhaps rather large public schoolteacher or public employee investment funds have the best tools available to ensure that innocent third parties are not harmed by abhorrent actors in the capital markets.

I can assure my colleagues that this proposal moves us in an improved direction. Certainly, any legislation can be improved upon, but the bill we have before us is fully warranted, fully justified, and it is now timely for this House to act.

I commend Chairman OXLEY for his continued leadership in trying to bring out fiscal accountability in the capital markets. I commend Mr. FITZPATRICK for his hard work on this measure. But I ask this House to turn down the Kanjorski substitute and adopt H.R. 2990 as recommended by the Financial Services Committee.

Mr. Chairman, I yield back my time.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. KANJORSKI).

The question was taken; and the Acting Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. KANJORSKI. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 198, noes 222, not voting 12, as follows:

[Roll No. 367]

AYES—198

Abercrombie
Ackerman
Allen
Andrews
Baca
Baird
Baldwin
Barrow
Bean
Becerra
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boren
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Butterfield
Capps
Capuano
Cardin
Cardoza
Carnahan
Carson
Case
Chandler
Clay
Cleaver
Clyburn
Conyers
Cooper
Costa
Costello
Cramer
Crowley
Cuellar
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Dicks
Dingell
Doggett
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Farr
Fattah
Filner
Ford
Frank (MA)
Gonzalez
Gordon
Green, Al
Green, Gene
Grijalva
Gutierrez
Harman
Hastings (FL)
Herseth
Higgins
Hinchey
Hinojosa
Holden
Holt
Honda
Hooley
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick (MI)
Kind
Kucinich
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren, Zoe
Lowey
Lynch
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy
McCollum (MN)
McDermott
McGovern
McIntyre
McKinney
Meehan
Meek (FL)
Meeks (NY)
Melancon
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore (KS)
Moore (WI)
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Salazar
Sánchez, Linda T.
Sanchez, Loretta
Sanders
Schakowsky
Schiff
Schwartz (PA)
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Smith (WA)
Snyder
Solis
Spratt
Stark
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Udall (CO)
Udall (NM)
Van Hollen
Velázquez
Visclosky
Wasserman Schultz
Waters
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOES—222

Aderholt
Akin
Alexander
Bachus
Baker
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Biggert
Bilbray
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boustany
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burton (IN)
Buyer
Calvert
Camp (MI)
Campbell (CA)
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Cole (OK)
Conaway
Crenshaw
Cubin
Davis (KY)
Davis, Tom
Deal (GA)
Dent
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Drake
Dreier
Duncan
Ehlers
Emerson
English (PA)
Everett
Feeney
Ferguson
Fitzpatrick (PA)
Flake
Foley
Forbes
Fortenberry
Fossella
Foxx
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gohmert
Goode
Goodlatte
Granger
Graves
Green (WI)
Gutknecht
Hall
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hyde
Inglis (SC)
Issa
Istook
Jenkins
Jindal
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
Kuhl (NY)
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas
Lungren, Daniel E.
Mack
Manzullo
Marchant
McCaul (TX)
McCotter
McCrery
McHenry
McHugh
McKeon
McMorris
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Neugebauer
Ney
Norwood
Nunes
Nussle
Osborne
Otter
Oxley
Paul
Pearce
Pence
Petri
Pickering
Pitts
Poe
Pombo
Porter
Price (GA)
Pryce (OH)
Putnam
Radanovich
Ramstad
Regula
Rehberg
Reichert
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schmidt
Schwarz (MI)
Sensenbrenner
Shadegg
Shaw
Shays
Sherwood
Shimkus

Shuster
Simmons
Simpson
Smith (NJ)
Smith (TX)
Sodrel
Souder
Stearns
Sullivan
Sweeney
Tancredo
Taylor (NC)
Terry
Thomas
Thornberry
Tiberi
Turner
Upton
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Westmoreland
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOT VOTING—12

Culberson
Davis, Jo Ann
Evans
McNulty
Northup
Peterson (PA)
Platts
Ros-Lehtinen
Sessions
Slaughter
Tiahrt
Watson

□ 1503

Mr. CARTER and Mr. HEFLEY changed their vote from ''aye'' to ''no.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

The Acting CHAIRMAN. The question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The Acting CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. MCHUGH) having assumed the chair, Mr. SWEENEY, Acting Chairman of the Committee of the Whole House on the State of the Union, reported that the Committee, having had under consideration the bill (H.R. 2990) to improve ratings quality by fostering competition, transparency, and accountability in the credit rating agency industry, pursuant to House Resolution 906, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on the amendment to the committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. OXLEY. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, this 15-minute vote on passage of H.R. 2990 will be followed by a 5-minute vote on the motion to suspend the rules on H.R. 5646.

The vote was taken by electronic device, and there were—ayes 255, noes 166, not voting 11, as follows:

[Roll No. 368]

AYES—255

Aderholt
Akin
Alexander
Allen
Andrews
Bachus
Baker
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Bean
Beauprez
Biggert
Bilbray
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boren
Boustany
Boyd
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burton (IN)
Butterfield
Buyer
Calvert
Camp (MI)
Campbell (CA)
Cannon
Cantor
Capito
Cardoza
Carter
Case
Castle
Chabot
Chocola
Coble
Cole (OK)
Conaway
Costa
Cramer
Crenshaw
Cubin
Cuellar
Culberson
Davis (KY)
Davis, Tom
Deal (GA)
Dent
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Doolittle
Drake
Dreier
Duncan
Edwards
Ehlers
Emerson
English (PA)
Everett
Feeney
Ferguson
Fitzpatrick (PA)
Flake
Foley
Forbes
Ford
Fortenberry
Fossella
Foxx
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gohmert
Goode
Goodlatte
Gordon
Granger
Graves
Green (WI)
Green, Gene
Gutknecht
Hall
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hinojosa
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hyde
Inglis (SC)
Inslee
Issa
Istook
Jenkins
Jindal
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
Kuhl (NY)
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas
Lungren, Daniel E.
Mack
Manzullo
Marchant
Matheson
McCaul (TX)
McCotter
McCrery
McHenry
McHugh
McIntyre
McKeon
McMorris
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moore (KS)
Moran (KS)
Murphy
Musgrave
Myrick
Neugebauer
Ney
Norwood
Nunes
Nussle
Ortiz
Osborne
Otter
Oxley
Paul
Pearce
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Poe
Pombo
Porter
Price (GA)
Pryce (OH)
Putnam
Radanovich
Ramstad
Regula
Rehberg
Reichert
Renzi
Reyes
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Royce
Ruppersberger
Ryan (OH)
Ryan (WI)
Ryun (KS)
Salazar
Saxton
Schmidt
Schwarz (MI)
Sensenbrenner
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (NJ)
Smith (TX)
Snyder
Sodrel
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tanner
Tauscher
Taylor (NC)
Terry
Thomas
Thornberry
Tiberi
Turner
Upton
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Westmoreland
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOES—166

Abercrombie
Ackerman
Baca
Baird
Baldwin
Barrow
Becerra
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Carnahan
Carson
Chandler
Clay
Cleaver
Clyburn
Conyers
Cooper
Costello
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Dingell
Doggett
Doyle
Emanuel
Engel
Eshoo
Etheridge
Farr
Filner
Frank (MA)
Gonzalez
Green, Al
Grijalva
Gutierrez
Harman
Hastings (FL)
Herseth
Higgins
Hinchey
Holden
Holt
Honda
Hooley
Hoyer
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick (MI)
Kind
Kucinich
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren, Zoe
Lowey
Lynch
Maloney
Markey
Marshall
Matsui
McCarthy
McCollum (MN)
McDermott
McGovern
McKinney
Meehan
Meek (FL)
Meeks (NY)
Melancon
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore (WI)
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Pomeroy
Price (NC)
Rahall
Rangel
Ross
Rothman
Roybal-Allard
Rush
Sabo
Sánchez, Linda T.
Sanchez, Loretta
Sanders
Schakowsky
Schiff
Schwartz (PA)
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Smith (WA)
Solis
Spratt
Stark
Strickland
Stupak
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Udall (CO)
Udall (NM)
Van Hollen
Velázquez
Visclosky
Wasserman Schultz
Waters
Watt
Waxman
Weiner
Woolsey
Wu
Wynn

NOT VOTING—11

Davis, Jo Ann
Evans
Fattah
McNulty
Northup
Platts
Ros-Lehtinen
Sessions
Slaughter
Tiahrt
Watson

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). There are 2 minutes remaining in this vote.

□ 1521

Mr. COSTELLO, Ms. CORRINE BROWN of Florida, and Mr. MEEKS of New York changed their vote from ''aye'' to ''no.''

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

TO STUDY AND PROMOTE THE USE OF ENERGY EFFICIENT COMPUTER SERVERS IN THE UNITED STATES

The SPEAKER pro tempore (Mr. SWEENEY). The unfinished business is the question of suspending the rules and passing the bill, H.R. 5646, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Michigan (Mr. ROGERS) that the House suspend the rules and pass the bill, H.R. 5646, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.